

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2012-177-WS - ORDER NO. 2013-79

FEBRUARY 13, 2013

IN RE: Application of Tega Cay Water Service,)	ORDER GRANTING
Incorporated for Adjustment of Rates and)	RATE RELIEF
Charges and Modifications of Certain Terms)	
and Conditions for the Provision of Water)	
and Sewer Service)	

INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (“the Commission”) on an Application for approval of a new schedule of rates and charges for water and sewer services (“Application”) filed by Tega Cay Water Service, Inc. (“TCWS” or the “Company”). At the outset, the Commission notes that this rate proceeding presented extremely difficult issues with regard to the balancing of the interests of the ratepayers in receiving quality service at an affordable cost with those of the Company in receiving sufficient revenue to cover expenditures and provide a just and reasonable return. As will be discussed later in this order, the Commission has made its ruling based upon the facts presented in the record of the case and within the parameters of its authority as defined by the statutes and regulations governing public utilities and the decisions of the Supreme Court of South Carolina, most notably the Court’s holdings to the effect that a utility seeking rate relief is entitled to a presumption of reasonableness as to its proven expenditures. The Office of Regulatory Staff has fully audited the expenditures of the Company and recommended, in its proposed order, that the Company

be granted additional revenue. The Commission hereby adopts, in their entirety, the recommendations of the ORS with regard to the Company's rates and charges.

TCWS is a National Association of Regulatory Utility Commissioners ("NARUC") Class B water and wastewater utility. TCWS provides water and wastewater service to certain residents of Tega Cay, which is located in York County. According to TCWS's Application, water distribution services were provided to 1,739 residential and commercial customers, and wastewater collection and treatment services were provided to 1,716 residential and commercial customers.

This matter was initiated on August 8, 2012, when TCWS filed an Application with the Commission for the adjustment of its rates and charges and for modifications of certain terms and conditions for the provision of water and sewer service to its customers. See S.C. Code Ann. § 58-5-240 (Supp. 2012). By its Application, the Company sought an increase in annual water and sewer revenues of \$665,518.

The Commission instructed TCWS to publish a prepared Notice of Filing in a newspaper of general circulation in the areas affected by TCWS's Application. The Notice of Filing indicated the nature of the Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion in the proceedings. In the same correspondence, the Commission also instructed TCWS to notify each customer affected by the Application. TCWS furnished the Commission with an Affidavit of Publication, demonstrating that the Notice of Filing had been duly published, and with a letter, in which TCWS certified compliance with the Commission's instruction to mail a copy of

the Notice of Filing to all customers affected by the Application. The Commission issued a Notice of Filing and Hearing in this matter on August 17, 2012, setting this matter for a full hearing before the Commission. Originally scheduled for January 3, 2013, the hearing was subsequently rescheduled for January 8, 2013. No parties intervened in this matter.

On September 12, 2012, the Commission issued Order No. 2012-719 granting the request of Senator Robert W. (Wes) Hayes, Jr. for a local public hearing and ordered the Commission Staff to schedule a public hearing in this case. Under this order, a public hearing was set and noticed by the Commission to be held in the Glennon Ballroom at the Tega Cay Golf & Conference Center in the City of Tega Cay on December 3, 2012. Hundreds of people attended the hearing, and thirty attendees appeared as witnesses to provide testimony and documentary evidence, including State Senator Wes Hayes and State Representative Ralph Norman. Public comments ranged from general opposition to higher rates to presentations with pictures of sewer system overflows, loose manhole covers and broken pipes. Tr. at 33 - 68. Several customers also related specific incidents of sewer overflows in their residences and their difficulties in getting compensated for damages caused by back-ups in the Company's sewer system. Tr. at 89, line 20 to pg. 96, line 22 and 103, line 5 through 109, line 3.

Between the filing of the Company's Application and the date of the hearing, the South Carolina Office of Regulatory Staff (ORS) conducted on-site investigations of TCWS's facilities, examined TCWS's books and records and gathered detailed information concerning TCWS's operations.

On January 8th and 9th, 2013, a hearing concerning the matters asserted in TCWS's Application was held in the Commission's hearing room located at Synergy Business Park, 101 Executive Center Drive – Saluda Building, Columbia, South Carolina. The Commission, with Chairman David A. Wright presiding, heard the matter of TCWS's Application. Scott Elliott, Esquire, Charles L.A. Terreni, Esquire, and John M.S. Hoefer, Esquire, represented TCWS. Jeffrey M. Nelson, Esquire, and Shannon Bowyer Hudson, Esquire, represented ORS. Randall Dong, Esquire, served as legal counsel to the Commission.

At the beginning of the merits hearing, the Commission heard testimony from seven public witnesses. Included in the testimonies from the public witnesses were complaints regarding the cost of on-line bill paying (Tr. 239-240), inoperability of the Company's web site (Tr. 238-239 and 242), complaints regarding the condition of the Company's lift stations (Tr. 229-231), concerns regarding lead levels in the water (Tr. 225-227), sewer overflows into Lake Wylie (Tr. 210, 214, 231), and the Company's failure to notify customers when boil water advisories are issued and lifted and when work is scheduled to be performed on the sewer system (Tr. 215, 217-218, 232).

After the conclusion of the hearing, TCWS moved to strike from the record of the case a substantial portion of the presentations and testimony offered by the witnesses at the December public hearing in Tega Cay and by the members of the public who testified at the January merits hearing in Columbia. We have fully reviewed the Company's motion and considered the arguments presented therein, but we decline to strike the disputed materials from the record. As the recognized expert designated by law to make

factual determinations in utility cases, we believe that the Commission has broad discretion to admit public testimony into evidence and to determine its appropriate weight.

TCWS presented its case in support of the Application through the direct and rebuttal testimonies and exhibits of Pauline M. Ahern, Principal of AUS Consultants; Dylan W. D'Ascendis, Associate of AUS Consultants; Patrick C. Flynn, Regional Director of Utilities, Inc.; Steven Lubertozi, Executive Director of Regulatory Accounting and Affairs for Utilities, Inc. (no exhibits); and Karen Sasic, Director of Customer Care for Utilities, Inc. The Company also presented the rebuttal testimony and exhibits of Kirsten Markwell, Manager of Regulatory Accounting for Utilities, Inc.

ORS presented the direct and surrebuttal testimonies and exhibits of Christina L. Seale, ORS Auditor; Willie J. Morgan, Program Manager for the ORS Water and Wastewater Department; and Dr. Douglas H. Carlisle, ORS Economist.

Ms. Ahern provided testimony on behalf of TCWS concerning her calculations regarding a fair rate of return, including a common equity cost range of 10.80% to 11.30%, capital cost rate and capital structure and rendered her opinion as to an appropriate rate of return on equity for TCWS on its jurisdictional rate base for water and sewer operations. Mr. D'Ascendis provided testimony on the capital structure of TCWS's parent company, Utilities, Inc., and long-term cost of debt. Mr. Lubertozi testified as to TCWS's Application in general, the Company's requested rates, and adjustments made to the income statement and rate base. Mr. Flynn provided testimony

concerning TCWS's operations, maintenance, and system improvements. Ms. Sasic testified regarding the Company's customer service and billing.

ORS presented the testimony of Ms. Seale concerning ORS's examination of the Application and TCWS's books and records, as well as the subsequent accounting and pro forma adjustments recommended by ORS. Mr. Morgan provided testimony on TCWS's compliance with Commission rules and regulations, ORS's business audit of TCWS's water and wastewater systems, test-year and proposed revenue, and performance bond requirements. ORS's final witness, Dr. Carlisle, provided testimony regarding his analysis, methodology and opinion in establishing a fair rate of return on equity (ROE) for TCWS. He concluded that 8.48% was a reasonable low point and that the top end of his range should be no more than 9.98%.

Ms. Ahern provided rebuttal testimony regarding Dr. Carlisle's recommended ROE range, growth proxies in his Discounted Cash Flow Model, his assessment of TCWS's risk and his application of the Comparable Earnings Model. Mr. Lubertozzi and Mr. D'Ascendis also provided rebuttal testimony regarding Dr. Carlisle's testimony on the long-term cost of debt. Dr. Carlisle responded via surrebuttal testimony.

Ms. Markwell and Mr. Flynn provided rebuttal testimony regarding certain portions of the testimonies of Ms. Seale and Mr. Morgan related to specific adjustments. Ms. Seale and Mr. Morgan filed surrebuttal testimony on issues where there was disagreement.

Lastly, Ms. Sasic filed rebuttal testimony agreeing with Mr. Morgan's recommendation for delinquent accounts and disagreeing with his testimony that the

Company is out of compliance with the Commission regulation on the bill form. Ms. Sasic attached an exhibit to her rebuttal showing the reverse side of a customer bill to prove the Company is in compliance. Mr. Morgan filed surrebuttal testimony stating that ORS had been previously provided only the front side of the bill.

As noted previously, in considering the Application of TCWS, the Commission must take into account competing interests; the interests of the customers of the system to receive quality service and a quality product at a fair rate, as well as the interest of the Company to have the opportunity to earn a fair rate of return. The Commission must give due consideration to TCWS's total revenue requirements, comprised of both the opportunity to earn a fair return on equity, as well as allowable operating costs. To accomplish this, the Commission must review evidence admitted into the record regarding the operating revenues and operating expenses of TCWS, and determine adequate and reasonable levels of revenues and expenses for the Company. The Commission must also establish a fair rate of return on equity based on the record established in this case. If the record establishes that a rate increase is warranted for the Company, the Commission will set rates which are just and reasonable and free from undue discrimination.

As stated before, this case presents the Commission with extremely difficult choices. We heard plainly through the testimony of dozens of public witnesses and hundreds of letters of protest, the complaints of the ratepayers regarding both the cost and quality of service provided by the Company. We sympathize with and take into consideration the concerns expressed. However, the Company presented objective,

quantifiable evidence of its expenditures, and such evidence has been fully audited and verified by the ORS. The South Carolina Supreme Court, in *Utilities Services of South Carolina, Inc. v. South Carolina Office of Regulatory Staff*, 392 S.C. 96, 708 S.E.2d 755 (S.C. 2011), reversed this Commission's denial of a rate increase where the utility had presented verified evidence of its expenditures. Quality of service is certainly a component which may be considered by the Commission in determining a just and reasonable rate of return, but concerns about quality of service, standing alone, are insufficient in this case to justify a complete denial of rate relief where there have been verified expenditures.

As more fully detailed herein, the Commission reluctantly grants to TCWS some rate relief in this case. It should be noted, however, that the additional revenue granted to the Company in this order is \$304,564 less than the figure initially requested in the Company's original application. We believe that this amount of rate relief, which we adopt from the proposed order of the ORS, is compelled by binding case law and must not be seen as an expression of satisfaction with the service provided by the Company. Indeed, the reduced rate relief granted to the Company, relative to the relief sought, is a reflection of the Commission's concerns with regard to customer service after hearing public testimony at the night hearing in Tega Cay and at the merits hearing in Columbia.

The customer testimony in this case makes clear to the Commission that additional monitoring of the situation is necessary. The Commission therefore requests that the ORS conduct such inspections, audits, and examinations necessary to ensure that TCWS takes all measures needed to continue improvements in facilities, infrastructure,

and customer service for a nine-month period from the date of the merits hearing, and that the ORS provide the Commission with a written report of its findings. This report shall include a recommendation as to whether the ORS believes that a hearing should be convened to receive further testimony and evidence from public witnesses, the ORS, and the Company. After reviewing the ORS's report, the Commission will determine whether a hearing should be held, either at the Commission's offices in Columbia or in the service area.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

After thorough consideration of the entire record in the TCWS hearing, including the previously cited testimony and exhibits and the applicable law, the Commission hereby makes the following findings of fact and conclusions of law:

1. TCWS is a corporation organized and existing under the laws of the State of South Carolina and authorized to do business in South Carolina.
2. TCWS is a public utility as defined by S.C. Code Ann. § 58-5-10(3) (Supp. 2012) and provides water and sewer service to the public for compensation in certain areas of Tega Cay, which is located in York County, South Carolina and is subject to the jurisdiction of this Commission.
3. TCWS's current rates and charges for both water and sewer services were approved by the Commission in Order No. 2010-557 in Docket No. 2009-473-WS.
4. The appropriate test year period for purposes of this proceeding is the twelve month period ending December 31, 2011. The test year is contained in the Application of TCWS as well as the testimony and exhibits of the parties' witnesses in

this case. The establishment of a test year is a fundamental principle of the ratemaking process. Heater of Seabrook v. S.C. Pub. Serv. Comm'n, 324 S.C. 56, 478 S.E. 2d 826 (1996). The establishment of a test year is used to calculate what a utility's expenses and revenues are for the purposes of determining the reasonableness of a rate. The test year is established to provide a basis for making the most accurate forecast of the utility's rate base, revenues, and expenses in the near future when the prescribed rates are in effect. Porter v. S.C. Pub. Serv. Comm'n, 328 S.C. 222, 493 S.E.2d 92 (1997). It also provides the Commission with a basis for estimating future revenue requirements. In the present case, the Commission has concluded that the appropriate test year to use is the twelve-month period ending December 31, 2011. No party contested the use of this test year as proposed by TCWS in its Application.

5. In accordance with the Application filed in this case, the Commission will use the rate of return on rate base methodology in determining the reasonableness of TCWS's proposed rates. The Public Service Commission has wide latitude in determining an appropriate rate-setting methodology. Heater of Seabrook, 324 S.C. at 64, 478 S.E.2d at 830. Here, the Applicant has submitted evidence of plant investment, and ORS has conducted its analysis and based its recommendations on a rate of return methodology. No party has raised any objection to the use of the return on rate base methodology in this proceeding.

6. By its Application, TCWS requested an increase in rates and charges of \$665,518 for its combined operations to produce net operating income of \$413,093 after the proposed increase (Schedule B of Exhibit B to Application). By the use of

accounting and pro forma adjustments, ORS computed TCWS's proposed increase to be \$685,126, and Net Income for Return after the requested increase to be \$522,642 (total operating revenues of \$1,929,971, less operating expenses of \$1,408,603, plus customer growth of \$1,274). Both TCWS and ORS calculations of the amount of the proposed increase were based on the Proposed Schedule of Rates and Charges contained in Exhibit A to the Company's Application.

7. Total operating revenues for combined operations for TCWS for the test year per the Company's Application, were reported as \$1,259,289, as adjusted. ORS calculated TCWS's test year service revenue for water operations, as adjusted, of \$402,559, and wastewater operations, as adjusted, of \$818,385. Total operating revenues were calculated by ORS for the test year, as adjusted, at \$1,244,845. See Exhibit CLS-1. We accept ORS's calculation of TCWS's test year total operating revenues for combined operations, after accounting and pro forma adjustments, as \$1,244,845. At TCWS's proposed rates, combined operations service revenues, as adjusted, were calculated by ORS to total \$1,906,236 (water service revenues of \$540,375 plus sewer service revenues of \$1,365,861). ORS used consumption data provided by TCWS that was verified during ORS's examination as a basis for its revenue calculations. We find the method of such calculations to be reasonable and fair and therefore accept the above stated total operating revenues for the test year, as adjusted per ORS, to be \$1,244,845.

8. The Returns on Rate Base for TCWS during the test year were calculated by ORS Witness Seale, after recommended accounting and pro forma adjustments, to be 2.46% for the test year and 12.56% after calculating the Company's proposed increase

(Surrebuttal Exhibit CLS-1). We approve ORS's adjustments and find that TCWS's return on rate base, per its Application, to be 2.46% for the test year ended December 31, 2011.

9. The Commission finds that the conclusions and their bases for establishing an appropriate range for a rate of return on equity for TCWS contained in the testimony of ORS witness Dr. Douglas Carlisle are reasonable. We believe that Dr. Carlisle's use of historical data with analysts' estimates provides a reliable estimate of future earnings and returns. Dr. Carlisle concluded that 8.48% was a reasonable low point and that the top end of his range should be no more than 9.98%. The Commission also considered both the public witness testimony regarding quality of service and Dr. Carlisle's testimony concerning the Company's high cost of debt in determining a just and reasonable return on equity for TCWS under the current Application. We hereby adopt a rate of return on equity of 9.00%. The resulting overall rate of return on rate base is 7.78%.

10. The Commission finds that the combined operating expenses for TCWS for the test year under present rates and after the appropriate accounting and pro forma adjustments are \$1,142,583. ORS Witness Seale offered testimony and exhibits detailing the ORS accounting and pro forma adjustments. The revenue impact analysis was performed by ORS and testified to by ORS Witness Morgan and was adopted by Witness Seale in her calculations. Details of the revenue calculations are shown on Exhibit WJM-3. By motion of the Company, we requested ORS to review updated rate case expenses incurred by the Company through the hearing in this case. ORS did not propose or

recommend that the Commission accept any additional rate case expenses, and we therefore adopted none.

11. ORS Witness Seale's testimony referred to her Exhibit CLS-4 – "Explanation of Accounting and Pro Forma Adjustments." Ms. Seale and Mr. Morgan explained in detail the forty-five (45) adjustments proposed by ORS.

12. The Commission finds the accounting and pro forma adjustments proposed by ORS witnesses Seale and Morgan, as set forth in each witness's direct and surrebuttal testimonies, are appropriate for rate making purposes.

13. The Commission finds that Ms. Seale's Exhibit CLS-5 shows the appropriate depreciation and amortization expenses for rate making purposes of \$264,630 and (\$130,473), respectively. Exhibit CLS-6 shows the accurate computation of the income tax adjustment. ORS proposed adjustments 1 through 4, 6, 7, 8, 10 through 17, 20 through 24, 26, 29, 34, 37 and 38 were accepted by TCWS through the rebuttal testimony of Witness Markwell. Witness Markwell noted that ORS adjustments 27, 28, 30 through 32, 36, and 40 through 45 are fall out items. Witness Markwell did take exception in her rebuttal testimony to the remaining adjustments. Ms. Markwell's testimony was supported, in part, by Mr. Flynn.

14. As to Ms. Seale's Adjustment 5 contained in CLS-4 of Exhibit 22, the Purchased Water Adjustment, we agree with ORS that there should be no adjustment in the amount of \$2,508, as proposed by the Company. This is consistent with our prior finding in Order No. 2010-557 and the position of ORS in Docket No. 2009-473-WS. As testified to by all parties in this case, TCWS purchases all of its water from York County. TCWS

pays York County on a monthly basis for the aggregate volume of water used by customers as measured by the water meters located at each customer's premises and reported by TCWS to York County. Tr. Pg. 812-813 (Morgan Surrebuttal, pg. 7, line 18 through pg. 8, line 5). As this \$2,508 has been recovered by TCWS from its ratepayers, the Company should not be permitted to retain this over-collection. If, as TCWS claims, this difference is due to a "timing issue" then the funds should be retained by the Company in the purchased water account for payment to York County when the alleged "timing issue" difference comes due. As the Company's own witness Ms. Markwell testified: "for every dollar charged to us by the purchased water provider, a dollar is passed through to the ratepayer. This practice should result in a zero balance in purchased water at year end." Tr. 478, Lines 24-26. This being the case, it would be improper to allow TCWS to make an adjustment to retain the \$2,508, which it has collected from its ratepayers but not yet remitted to the bulk water provider.

15. We also concur with ORS' Adjustment 19 contained in Ms. Seale's Exhibit CLS-4 (Hearing Exhibit 22) concerning the Company's "Performance Based Pension Contribution Program." As discussed in Company Witness Markwell's rebuttal testimony, this performance based pension contribution program is discretionary and, if awarded, must be made to all employees of the parent company, Utilities, Inc. Any payments to be made under the program are not based on individual performance but rather on the parent company attaining certain unspecified goals. As payments to employees under the Performance Based Program, unlike those provided for under its 401(k) plan, are made at the discretion of TCWS' parent company, the amount requested by the Company is not

known and measurable and would therefore be improper to include in the rates of TCWS customers.

16. We further concur with ORS' disallowance of the Company's request to include costs for the establishment of a "Leak Mitigation Program." In its Application, the Company had initially requested to include an additional \$28,000 in rates. In Company Witness Flynn's rebuttal testimony, this request was reduced to \$10,000. Tr. 545, Line 13 through 546, Line 16. ORS opposed the establishment of the leak mitigation program on the basis that the Company failed to establish the need for this program, failed to describe how the program would be administered or managed, and failed to establish that the amount requested to fund the program is known or measurable. We find that the Company has failed to carry its burden of proof to evidence the need for this program. TCWS failed to prove that it has incurred any definitive costs or any basis for the amount which it is requesting to collect from ratepayers to establish this account. We therefore accept the ORS recommendation and exclude any expenses for a leak mitigation program.

17. ORS also proposed to exclude \$74,959 in WK Dickson invoices, Hearing Exhibit 25 (WJM-1, pages 352-360), which were identified by invoice as engineering costs associated with compiling information required by South Carolina Department of Health and Environmental Control (DHEC) for a Corrective Action Plan. The Corrective Action Plan is a DHEC penalty for non-compliance which was incurred by TCWS, in addition to a \$60,000 monetary fine, for its failure to maintain its wastewater system in accordance with DHEC standards or mitigate Sanitary Sewer Overflows in a timely manner. ORS properly allowed TCWS certain engineering costs related to actually making improvements to the

system required under the Corrective Action Plan. We find that engineering costs incurred by TCWS to simply compile information required by the DHEC Corrective Action Plan would not have been incurred by the Company but for its failure to comply with DHEC regulations, assume the form of a penalty and are therefore properly excluded from the Company's allowable costs.

18. We find that ORS also properly excluded invoice 7703 for vendor TNT, Inc. for \$27,725. As testified to by ORS Witness Morgan, this invoice failed to identify the specific location or type of service provided by TNT. Tr. Page 810 and Exhibit 25 (Morgan Surrebuttal, pg. 5, line 19-22 and Exhibit WJM-1, page 361). Mr. Morgan further testified at the hearing that ORS notified TCWS of its questions and concerns regarding this invoice in early November, but that the Company provided no additional information or documentation to establish that these costs were indeed incurred by TCWS, as opposed to one of its sister companies in South Carolina, or to establish that the services provided by TNT were used and useful to provide service to TCWS customers. Tr. Page 849. Although Mr. Flynn testified at the hearing that these costs were incurred by TCWS, we concur with ORS that the Company has failed to carry its burden of proof in establishing through any documentary evidence that the cost in question was incurred by TCWS to provide service to its customers. This cost is therefore properly excluded.

19. The Commission finds that by accepting all the adjustments as proposed by witnesses Seale and Morgan, the Company's current return on rate base is 2.46% and its current operating margin is -2.82% under TCWS's presently approved rates and charges. Therefore, the Commission finds that an adjustment of TCWS's rates and charges is

warranted. An increase in rates and charges appears justified for the Company to provide its residential and commercial customers with safe and adequate water and wastewater services.

20. When applied to the as adjusted test year operations, the rates requested in the Company's Application resulted in a return on rate base of 12.56% and an operating margin of 19.95%.

21. The Commission finds that, based on the testimony of ORS Witness Carlisle, and customer testimony regarding quality of service, a return on equity of 9.00% is a reasonable return for TCWS; and the Commission finds that an operating margin of 11.60% would provide a reasonable rate of return to the Company.

22. In order for TCWS to have the opportunity to achieve a return on equity of 9.00%, the net income requirement for TCWS, using the adjusted operating revenues and operating expenses approved herein, is \$323,873. This will effectively yield an operating margin for the Company of 11.60%.

23. In order for TCWS to have the opportunity to earn the herein approved return on equity of 9.00%, TCWS must be allowed additional annual water service and sewer revenues of \$361,042.

24. To achieve additional annual water and sewer service revenues of \$361,042 and total additional operating revenues of \$360,954, the rates and fees as set forth in Appendix A attached hereto are approved and found to be just and reasonable.

25. The appropriate operating margin for TCWS based upon the herein approved adjustments and rates is 11.60 %.

IT IS THEREFORE ORDERED THAT:

1. TCWS is entitled to rate relief on the basis of its current return on rate base of 2.46% and operating margin of -2.82%.
2. TCWS shall be entitled to charge rates and fees appropriate to obtain a Return on Equity of 9.00% in order to obtain an operating margin of 11.60%.
3. The rates and schedules in Appendix A attached hereto are hereby adopted by the Commission and are hereby approved for service rendered on or after the date of this Order. Further, the schedules shall be deemed to be filed with the Commission pursuant to S.C. Code Ann. § 58-5-240 (Supp. 2012).
4. Should the schedules approved herein and attached hereto as Appendix A not be placed in effect within three (3) months from the effective date of this Order, the schedules shall not be charged without written permission from the Commission.
5. TCWS shall file a performance bond in the amount of \$350,000 for water and \$350,000 for sewer services by July 1, 2013.
6. TCWS shall have the utility's name and/or street address included on each invoice used for rate making purposes beginning on July 1, 2013. Otherwise, the invoice shall not be considered an acceptable expenditure.
7. TCWS shall properly record assets and the disposition of those assets, including their retirement, in its books and records.
8. The Commission requests that the ORS conduct such inspections, audits, and examinations necessary to ensure that TCWS takes all measures needed to continue improvements in facilities, infrastructure, and customer service, and that the ORS, no

later than November 9, 2013, provide the Commission with a written report of its findings during the nine-month monitoring period from January 9, 2013 through October 9, 2013. This report shall include, pursuant to PSC Regulation 103-858(A), a recommendation as to whether the ORS believes that a hearing should be held to receive testimony and evidence from public witnesses, the ORS, and the Company. Thereafter, the Commission will determine whether a hearing should be held, either at the Commission's offices in Columbia or in the service area.

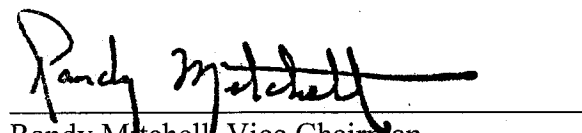
9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



David A. Wright, Chairman

ATTEST:



Randy Mitchell, Vice Chairman
(SEAL)

TEGA CAY WATER SERVICE, Inc.
Docket No. 2012-177-WS
Rates
APPENDIX A

Order No. 2013- 79
February 13, 2013

I. WATER

1. CHARGE FOR WATER DISTRIBUTION ONLY

Where water is purchased from a government body or agency or other entity for distribution by the Company, the following rates apply:

Residential

Basic Facilities Charge per single family house, condominium, mobile home or apartment unit:

\$11.81 per unit*

Commodity charge:

\$2.71 per 1,000
gallons or 134 cft

*Residential customers with meters of 1" or larger will be charged commercial rate

Commercial

Basic Facilities Charge

\$11.81 per single
family equivalent
(SFE)

Commodity charge:

\$2.71 per 1,000
gallons or 134 cft

The Utility will also charge for the cost of water purchased from the government body or agency, or other entity. The charges imposed or charged by the government body or agency, or other entity providing the water supply will be charged to the Utility's affected customers on a pro rata basis without markup. Where the Utility is required by regulatory authority with jurisdiction over the Utility to interconnect to the water supply system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will also be charged to the Utility's affected customers on a pro rata basis, without markup.

TEGA CAY WATER SERVICE, Inc.
Docket No. 2012-177-WS
Rates
APPENDIX A

Order No. 2013- 79
February 13, 2013

I. WATER (continued)

Commercial customers are those not included in the residential category above and include, but are not limited to hotels, stores, restaurants, offices, industry, etc.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master water meter or a single water connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter, and consumption of all units will be averaged; a bill will be calculated based on that average and the result multiplied by the number of units served by a single meter.

2. Nonrecurring Charges

Tap Fees \$600 per SFE*

3. Account Set-Up and Reconnection Charges

a. Customer Account Charge - for new customers only
\$30.00

b. Reconnection Charges: \$40.00
In addition to any other charges that may be due, a reconnection fee of Forty dollars (\$40.00) shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-732.5. Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected. The reconnection fee shall also be due prior to reconnection if water service has been disconnected at the request of the customer.

4. Other Services

Fire Hydrant - \$135.00 per hydrant

per year for water service payable in advance. Any water used should be metered and the commodity charge in Section One (1) above will apply to such usage.

TEGA CAY WATER SERVICE, Inc.
Docket No. 2012-177-WS
Rates
APPENDIX A

Order No. 2013- 79
February 13, 2013

I. WATER (continued)

5. Billing Cycle / Late Payment

Recurring charges will be billed monthly in arrears. Nonrecurring charges will be billed and collected in advance of service being provided. Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1.5%) percent for each month or any part of a month that said payment remains unpaid.

6. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to connect to its water system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to any appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule, and comply with the guidelines and standards hereof, shall not be denied service, unless water supply is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving water system. In no event will the Utility be required to construct additional water supply capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding water supply capacity to the affected water system.

7. Cross Connection Inspection Fee

Any customer installing, permitting to be installed, or maintaining any cross connection between the Utility's water system and any other non-public water system, sewer or a line from any container of liquids or other substances, must install an approved back-flow prevention device in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F, as may be amended from time to time. Such a customer shall annually have such cross connection inspected by a licensed certified tester and provide to Utility a copy of a written inspection report and testing results submitted by the certified tester in accordance with 24A S.C. Code Ann. Regs. R.61-58.7.F, as may be amended from time to time. Said report and results must be provided by the customer to the Utility no later than June 30th of each year. If a customer fails to comply with the requirement to perform annual inspections, the utility may, after 30 days' written notice, disconnect water service. The Utility will provide customers a 30-day advance written notice of the recurring annual date when the customer must have their backflow prevention device tested by a licensed, certified tester.

TEGA CAY WATER SERVICE, Inc.
Docket No. 2012-177-WS
Rates
APPENDIX A

Order No. 2013-79
February 13, 2013

I. WATER (continued)

8. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capability of the Utility, the Utility may, in lieu of mailing a paper copy, provide an electronic bill to the customer on the Utility's website. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-732.2 as may be amended from time to time. The Utility will provide customers a monthly electronic notice via email of the bill statement availability and the web address of its location to those customers selecting to receive bills electronically.

* A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities -- 25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.

TEGA CAY WATER SERVICE, Inc.
Docket No. 2012-177-WS
Rates
APPENDIX A

Order No. 2013-79
February 13, 2013

II. SEWER

1. Monthly Charges

Residential - charge per single-family
house, condominium, villa, mobile home
or apartment unit: \$49.95 per unit

Commercial: \$49.95 per SFE*

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

The Utility will also charge for treatment services provided by the government body or agency, or other entity. The rates imposed or charged by the government body or agency, or other, entity providing treatment will be charged to the Utility's affected customers on a pro rata basis, without markup. Where the Utility is required under the terms of a 201/208 Plan, or by other regulatory authority with jurisdiction over the Utility, to interconnect to the sewage treatment system of a government body or agency or other entity and tap/connection/impact fees are imposed by that entity, such tap/connection/impact fees will be charged to the Utility's affected customers on a pro rata basis, without markup.

The Utility will, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units, which is served by a master sewer connection or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

2. Nonrecurring Charges

Tap Fees (which includes sewer
service connection charges and
capacity charges) \$1,200.00 per SFE*

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating of a non residential customer is less than one (1). If the equivalency rating of a non residential customer is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

TEGA CAY WATER SERVICE, Inc.
Docket No. 2012-177-WS
Rates
APPENDIX A

Order No. 2013-79
February 13, 2013

II. SEWER (continued)

3. Notification, Account Set-Up and Reconnection Charges

- a. Notification Fee \$15.00

A fee of fifteen (\$15.00) dollars shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating the cost.

- b. Customer Account Charge – \$25.00
for new customers only.

A fee of twenty-five (\$25.00) dollars shall be charged as a one-time fee to defray the costs of initiating service. This charge will be waived if the customer is also a water customer.

- c. Reconnection Charges: \$250.00

In addition to any other charges that may be due, a reconnection fee of two hundred fifty (\$250.00) dollars shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4.

4. Billing Cycle

Recurring charges will be billed monthly, in arrears. Nonrecurring charges will be billed and collected in advance of service being provided.

5. Extension of Utility Service Lines and Mains

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into one of its sewer systems. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point, to pay the appropriate fees and charges set forth in this rate schedule and to comply with the guidelines and standards hereof, shall not be denied service, unless treatment capacity is unavailable or unless the South Carolina Department of Health and Environmental Control or other government entity has restricted the Utility from adding for any reason additional customers to the serving sewer system. In no event will the Utility be required to construct additional wastewater treatment capacity to serve any customer or entity without an agreement acceptable to the Utility first having been reached for the payment of all costs associated with adding wastewater treatment capacity to the affected sewer system.

TEGA CAY WATER SERVICE, Inc.
Docket No. 2012-177-WS
Rates
APPENDIX A

Order No. 2013- 79
February 13, 2013

II. SEWER (continued)

6. Toxic and Pretreatment Effluent Guidelines

The Utility will not accept or treat any substance or material that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR 129.4 and 401.15. Additionally, pollutants or pollutant properties subject to 40 CFR 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Company's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney's fees, incurred by the Utility as a result thereof.

7. Electronic Billing and Electronic Payment

If requested by the customer in writing and within the capability of the Utility, the Utility may, in lieu of mailing a paper copy, provide an electronic bill to the customer on the Utility's website. The electronic bill shall contain the same content and be presented in the same or a similar format as a bill delivered to the customer pursuant to Commission Rule R. 103-532.1 as may be amended from time to time. The Utility will provide customers a monthly electronic notice via email of the bill statement availability and the web address of its location to those customers selecting to receive bills electronically.

* A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities --25 S.C. Code Ann. Regs. 61-67 Appendix A, as may be amended from time to time. Where applicable, such guidelines shall be used for determination of the appropriate monthly service and tap fee.